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SUBJECT: Artyakov's Avtovaz Polices Shaped Popular Opinion of New Samara Governor

REF: MOSCOW 04598

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1. (SBU) SUMMARY: Popular opinion toward the newly appointed governor of Samara, Vladimir Artyakov, is likely to be shaped by perceptions of his policies while serving as general director of the region's largest industrial enterprise, Russian auto-manufacturer Avtovaz. Artyakov fought to strengthen the company in the face of increased competition, but his decisions soured relations with many employees. The more than 100,000 workers at Avtovaz have the potential to significantly impact the region's new political atmosphere with Artyakov as governor. Our discussions with journalists, regional political observers, and party leaders in Samara suggested that the ways in which Artyakov and his management team worked to reform Avtovaz, including a decision last spring to end "social welfare" payments to company employees, created a negative attitude toward Artyakov and what the locals see as his "Moscow" team. Other actors in the region are looking for ways to exploit that dissatisfaction for political gain, potentially complicating Artyakov's ability to achieve his goals as governor, including increasing the fortunes of the Kremlin-backed "United Russia" party in the December 2 Duma elections. END SUMMARY

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Problems at Avtovaz  
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2. (SBU) Artyakov assumed the position of chairman of the board at Avtovaz in December 2005, after the company was purchased by Rosobornoneksport (the state-controlled military/industrial holding company). The company has faced increasing competition from imported and domestically-produced foreign vehicles and according to Vedemosti (a Wall Street Journal affiliate), total vehicle sales fell 15% in the first half of 2007. Workers claimed the United Russia party, of which Artyakov is a member, promised wage increases during local elections earlier this year. Acting on these events, a small number of workers at the main plant in Togliatti held a strike on August 1 and demanded the company triple minimum wages to \$1000 per month. Estimates conflict on how many workers participated in the several-hour strike, ranging from 150-1,000 workers. Because only a small number of people stopped working, Avtovaz management did not recognize it as an official strike.

3. (SBU) In rejecting the strikers' demands, Artyakov's team maintained that average wages were already the highest in the sector and tripling them would drive up vehicle prices, making the company even less competitive, and would force the plant to close. They also claimed that the strike was an attempt to destabilize the plant during a period of corporate restructuring, playing up to those who didn't support the new reforms (a reduction of the work force by 1.5% to increase efficiency). The United Russia party admitted it

pledged to raise wages, but over a five-year period and claimed to not have made any specific promises to Avtovaz workers. Some press reports link the strike to "Yedinstvo" ("Unity"), a small, unofficial, independent trade union representing fewer than 1,000 out of the 110,000 total workers, although other interlocutors report that the strike was an "independent" action by disgruntled workers. (AvtoVAZ has an official, larger trade union, representing approximately 100,000 workers that did not support Yedinstvo's strike. The official union insisted that wage negotiations with management were ongoing. Nikolay Karagin, the official union's leader, warned Yedinstvo members that if they didn't follow the proper procedures under Russia's Labor Code, strikers could be dismissed.)

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Fodder for Regional Politics  
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14. (SBU) Avtovaz management and a number of observers claim the strike was not about economics, but was rather a political manipulation during a local pre-election struggle. The director of Samara's "Just Russian" campaign Mikhail Sychev dismissed the strike as an effort by unspecified political parties (not SR, one assumes) to create a disturbance in the run-up to Duma elections. He characterized the pay issue as a long standing problem between the workforce and management and argued that the strike coincided with the peak of discord in a cyclical pattern of dynamic relations. He claimed that most of the workforce realized the strike had been a "mistake" and a non-constructive method for expressing grievances. Sychev underscored that the "Yedinstvo" union did not participate in the strike and asserted that his party organization had "good, constructive relations" with the independent union's leadership.

15. (SBU) Sychev may have been disingenuous, at least about the role that SR played in encouraging the strike. Speculation in the national press suggests that Sychev's SR has the most to gain from promoting unrest at Avtovaz. Powerful local businessmen affiliated

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with SR, including Vitaliy Ilyin (the head of the Samara city дума, connected to the largest distributor of Avtovaz spare parts, the SOK group) who had lost out from Artyakov's new policies may have been seeking some retribution.

16. (SBU) The strike provided an opportunity for other political actors to win points with worker-voters by demonstrating solidarity with the workers against management. A rally in Togliatti on August 11 by the Liberal Democratic Party of Russia (LDPR), ostensibly in support of the strikers, again demonstrated the political opportunism and clever populist instincts of the party's leader, Vladimir Zhirinovskiy. Further, the head of the "Yedinstvo" union Petr Zolotarev announced in August that he had plans to start his own party and potentially run for mayor. Both of those events deepened suspicions that the strike served the interests of a range of political forces.

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Regional Observers See Political Fallout  
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17. (SBU) The chief editor of the regional edition of Novaya Gazeta, Sergey Kurt-Adzhiev, claimed that the way in which the Avtovaz management team made and implemented decisions undermined popular attitudes and would likely shape perceptions of Artyakov as governor. Whereas the previous management of Avtovaz had largely comprised local businessmen, most of whom were essentially "Red Managers" from the Soviet period, the new Artyakov team had been primarily Moscow-based and distant from Samara society, according to Kurt-Adzhiev. He said that the locals had jokingly termed the new managers "desiantniki" (Russian term for paratroopers) because they flew to Samara on Monday for work and then jetted back to Moscow when the week had ended.

18. (SBU) Ekho Moskvy's Tatyana Prokopavichene said that the decision to cut a host of "social support" financing that the factory had traditionally supplied the workforce -- money for schools, special

medical units, housing subsidies, and other non-salary benefits -- had created the perception that Artyakov and his team did not care about the workers' interests. According to Prokopavichene, the loss of subsidies was a substantial blow to the living standards of the Avtovaz work force, particularly since the municipal government was unable (or unwilling) to help make up the difference. She said that Mayor Nikolay Utkin of Togliatti spoke out against the decision, saying that it was "not right" that the company simply abandoned its responsibilities. Kurt-Adzhiev opined that the decision to suspend the subsidies was particularly galling to many in Togliatti, because Artyakov and others from Avtovaz/Rosoboroneksport only recently had been elected to the oblast дума on a platform that the workers believed had promised increases in pensions and worker salaries.

¶9. (SBU) The way in which the Avtovaz management dealt with the August strike also negatively affected popular perceptions of Artyakov and his leadership team in the governor's office, according to our Samara contacts. Ivan Mironov, then the Avtovaz vice president and security director, was the only member of senior management to address the striking workers. "Yedinstvo" activist Anton Vichkunin said that Mironov promised that he would arrange a meeting between the workers and Artyakov and assured the strikers that none would suffer negative consequences if they ended their protest, according to Vedemosti. However, none of those promises were kept. Kurt-Adzhiev and Prokopavichene claimed that about half of the workers involved in the unsanctioned strike had lost their jobs, with many of the remaining strikers under indictment for "extremism." Lydumila Kuzmina of the NGO "Golos" reported that some of the strike participants have faced police harassment. They claim that the rest of the workforce now is cowed and afraid, certain that a new round of layoffs is imminent. However, union officials in Moscow do not share the same concerns as our Samara interlocutors and claim that they have not heard of any firings or harassment.

¶10. (SBU) COMMENT: Artyakov's history as Avtovaz chief will likely complicate his ability to achieve what many see as his primary purpose: serving as a regional "locomotive" to bolster the United Russia's standing in the December 2 Duma elections. (According to polling by the Fund for Societal Opinion, support for United Russia is comparatively low, at 31 percent in Samara Oblast.) Putin's decision to appoint Artyakov as governor likely resulted from broader political calculations related to upcoming elections and the Kremlin's agenda of breaking the power of regional elites, (REFTEL) but seems to mesh poorly with popular attitudes within Samara oblast. END COMMENT.